TRATON Way Forward

TRATON Capital Markets Day
Christian Levin, CEO
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The percentage figures shown may be subject to rounding differences. Due to different proportions and scaling in graphs, data shown in different graphs are not comparable.
A lot has been achieved in the past six years

- **2015**
  - Establishment of VW Truck & Bus

- **2019**
  - Successful IPO of TRATON SE

- **2021**
  - Acquisition of Navistar

- **2021+**
  - New TRATON Strategy

- **2018**
  - Re-branding/new identity

- **2021**
  - Squeeze-Out of MAN SE, realignment MAN T&B

- **2021**
  - Charging JV with Daimler Truck & Volvo Group

- **2021**
  - Introduction of new Group powertrain
Key strategic questions for “TRATON Way Forward” have changed

Global Champion Strategy: 
Strategic questions (2015-21)

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<table>
<thead>
<tr>
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<tbody>
<tr>
<td>1</td>
<td>How to develop a <strong>group/own entity for trucks &amp; buses</strong>?</td>
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<td>2</td>
<td>Where to <strong>focus for economies of scale</strong>?</td>
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<td>3</td>
<td>What are <strong>most important profit pools globally</strong> and <strong>how to tap into them</strong>?</td>
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<td>4</td>
<td>Will <strong>electrification</strong> and <strong>autonomous</strong> play a role in trucks and when?</td>
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Key strategic questions for “TRATON Way Forward” have changed

Global Champion Strategy: Strategic questions (2015-21)

1. How to develop a group/own entity for trucks & buses?
2. Where to focus for economies of scale?
3. What are most important profit pools globally and how to tap into them?
4. Will electrification and autonomous play a role in trucks and when?

TRATON Way Forward: Strategic questions (2022-30+)

- How to ensure sustainable business and uphold needs of environment, society & other stakeholders?
- How do we create sustainable value for our stakeholders?
- How do we transform our business model to be prepared for changes in our industry?
Our new strategy guides our path towards the future
Responsible Company

Make responsible behavior a top priority in everything we do

- Decarbonization & Circularity
- People & Diversity
- Governance & Ethics
Our approach to sustainability and ESG management is science-, risk- and impact-based.
We are fully committed to the Paris Agreement

<table>
<thead>
<tr>
<th>Scope</th>
<th>Target</th>
<th>Description</th>
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<tr>
<td>1+2</td>
<td>-50% t CO\textsubscript{2}e (2025 vs. 2015)\textsuperscript{1}</td>
<td>Well to wheel</td>
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<tr>
<td>3\textsuperscript{5}</td>
<td>-20% g CO\textsubscript{2}e/vkm (2025 vs. 2015)\textsuperscript{1}</td>
<td>Tank to wheel</td>
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All our brands have validated science-based targets or are in the process on obtaining those.

1 Science based approved target
2 Company specific target - energy efficiency targets with regards to electricity and natural gas usage at the Resende manufacturing plant
3 Company specific target - energy intensity is an energy efficiency metric modeled by the USDOE using its Energy Performance Indicator model at four US facilities
4 Regulatory target - based on EPA Phase 2 GHG emission reduction targets for tractor combinations (-25%) and for vocational vehicles (-24%) – reduction targets are industry targets and exact reduction need per OEM will depend on sold vehicle mix
5 Downstream

1, 2, 3, 4, 5: Science based approved target, Company specific target, Energy intensity is an energy efficiency metric modeled by the USDOE, Regulatory target, Downstream.
Our CO₂ impact stems almost exclusively from our products’ use phase – but will change in the future

Combustion engine

BEV (electricity mix)¹

BEV (green electricity)²

1 Based on EU 2016 electricity mix 2 Based on prognosed EU 2030 electricity mix
Source: Scania estimates
Our strategic focus is underlined by a comparison of system efficiency between BEV and FEV.

### BEV
- **Production**: 100% electrical energy
- **Refueling**: 90% efficiency
- **Operation**: 90% efficiency
  - 75% energy remaining

### FEV
- **Production**: 100% electrical energy
- **Refueling**: 70% efficiency
- **Operation**: 80% efficiency
  - 25% energy remaining

#### Distribution & Inversion
- AC/DC mix of slow & fast charging
- DC-AC, engine & transmission
- FC stack + compressor & DC-DC
We see battery electric vehicles become the majority technology for trucks and buses.
We boost our e-mobility investments

Investment increase 2021

2020 - 2025

€1.0 bn

Investment increase 2022

2021 - 2026

€1.6 bn

€2.6 bn

1 Incl. Navistar
All TRATON brands with BEV products across major applications and weight classes

- MAN electric truck (eTGM)
- Scania electric bus (Citywide LF)
- Navistar electric bus (IC Bus electric CE Series)
- VWCO electric truck (e-Delivery)
- MAN electric bus (Lion’s City E)
- MAN electric van (eTGE)
- MAN electric van (25 P BEV)
- Navistar electric truck (International eMV)
- Scania electric truck (25 P BEV)
No limits for BEV technology: Technical capability for use cases >70t GVW

74-tonne electrified Scania truck sold to Boliden

Proven technical feasibility of electric vehicles

High load capacity and longer range

Reduce emissions in the road freight sector
High-performance charging network for Europe

DAIMLER TRUCK

TRATON VOLVO

>1,700 public charging points

€500 mn investment (jointly)

- Joint Venture Agreement signed, subject to regulatory approvals
- Core focus on heavy-duty long-haulage (45-minute charging window)
- Network will be open and accessible to all brands
- Intended to enhance customer confidence
- Support EU’s transformation to climate-neutral transportation
Electrification will impact how we do repair & maintenance but also will open new profit pools.

- Win customers from 3rd party providers for complex repair/maintenance services
- Win repair/maintenance for fleets done in-house
- Different maintenance but similar repair requirements of ICE and BEV
- Do repair/maintenance for new components (e.g. battery system)

- Shift business model from product to service
  - Price based on value for the customer (e.g. pricing uptime)
  - Additional financing opportunities

- Charging services (e.g. eMSP, charging)
- Battery recycling and reuse
- Connectivity based solutions for >1 M connected vehicles

1. Win volume for e-mob repair/maintenance
2. Price customer solution
3. Increase service portfolio
Circularity – Optimize resource consumption here & now

Business model

Produce

Resource utilisation

Product design

Use

Product life extension

Today’s examples

Reuse: Prioritization of recycled metals in foundries

Remanufacturing: High-quality scrap to serve spare-parts on a secondary market

Battery recycling: Utilization of battery recycling infrastructure

All our brands are committed to minimize unrecycled waste and promoting a circular economy through repurposing and recycling programs
Value Creation

Focus on sustainable value creation for our stakeholders

- Performance-driven
- Navistar as part of TRATON family
- TRATON goes China
Creating value for our stakeholders

1. **Performance driven**
   - Brand performance programs, brand cooperation and performance culture

2. **Successful integration of Navistar**
   - Integration of Navistar and realization of its full potential

3. **China important growth market**
   - China as important future profit pool and a growth market for TRATON GROUP
Ambitious targets for each of our brands

**Strategic RoS target**
- **SCANIA**: 12%
- **MAN**: 8%
- **Caminhões Ônibus**: 8%
- **NAVISTAR**: 9%

**Focus topics**
- **SCANIA**
  - Fully committed to sustainability
  - More high-margin services
  - Growing in China

- **MAN**
  - Realignment program & topline improvement
  - Leveraging new truck generation
  - Shift to zero-emissions

- **Caminhões Ônibus**
  - Volume growth and strong products
  - Higher margin by new heavy-duty portfolio expansion
  - Continuous focus on efficiency

- **NAVISTAR**
  - Deliver profitable performance
  - Benefit from Group
  - Dealer performance improvement

**Value Creation**
- Expansion of vehicle services
- TRATON GROUP Modular System
- Captive Financial Services
Strong markets with transition to new technologies and solution offerings as basis for future growth

- **Europe**
  - Market cycle: Short-term risks
  - Electrification: Innovation front-runner
  - Services maturity: Service/aftermarket expected to increase, Growth of solution offerings

- **South America**
  - Market cycle: Short-term risks, but also pre-buy effects
  - Electrification: Innovation follower
  - Services maturity: Market still maturing

- **North America**
  - Market cycle: Cyclicality expected
  - Electrification: Innovation front-runner
  - Services maturity: Service/aftermarket expected to increase, Growth of solution offerings

- **China**
  - Market cycle: Short-term risks
  - Electrification: Innovation front-runner
  - Services maturity: Market still maturing, Shift in profit pools

- **Southeast Asia**
  - Market cycle: Short-term risks
  - Electrification: Innovation follower
  - Services maturity: Heterogenous markets with mixed maturity levels

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1 Incl. Indonesia, Australia, Malaysia, New Zealand, Philippines, Singapore, South Korea, Taiwan, Thailand, Vietnam; excl. China
China is one of the most important profit pools

1.4 million trucks sold in 2021

World’s largest single market for commercial vehicles

Segment shift towards more sophisticated products

First western truck manufacturer with license for fully independent production in China
TRATON Accelerated!

Shape our role in the future logistics ecosystem

- Business Model Expansion
- Partnership Culture
- Embrace Digital
ACE\(^1\) platform elements critical for all ACE-related business models

**Autonomous vehicle + service**
- ACE vehicle
- Maintenance & repair capabilities
- Additional services

**Self-driving system (SDS)**
- Virtual driver ensures control of vehicle
- Autonomous routes

**Control Tower (CT)**
- Ensures basic dispatching of vehicles
- Integrated in overarching systems
- Monitoring and remote maintenance function

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1 ACE = Autonomous Connected Electrified

TRATON Accelerated!
We build a solution ecosystem around our customer
Future Financial Services set-up currently being defined

Status

- Scania Financial Services is a fully integrated captive Financial Services provider.
- MAN branded Financial Services front-end (part of VW Financial Services).
- VWCO directly via VW Financial Services – no separate branding.
- Financial Services provided through Bank of Montreal.

Development of blueprint for future setup ongoing.

Planning ongoing with targeted startup TRATON Financial Services from September 2023.

Captive and integrated TRATON Financial Services unit necessary on Group level to best support customer requirements, future growth and business models.
TRATON FS – Global multi-brand captive finance business leveraging existing structures

Brand specific front office

Common back office

Increased funding capabilities
New strategy will guide path towards the future - we will ensure successful strategy execution
Build-up of a TRATON Modular System based on Scania principles

**Scania Bygglåda**

- Enable profitable mass customization of broad variant offering & ensure long-term competitive advantage

**TRATON Modular System**

- We create **standardized Group interfaces**

- Within Group: **Same need – identical solution**

- Differentiate via **balanced performance steps**
From evolution to revolution

Reused, modular parts for ALL TRATON Brands

Common components

Joint negotiations

Realized value

Time
Strong Group Product Management and Solution Development planned to be set up

<table>
<thead>
<tr>
<th>Group Product Management</th>
<th>Group Solution Development</th>
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<tbody>
<tr>
<td>ICE powertrain</td>
<td></td>
</tr>
<tr>
<td>E-mobility (incl. battery)</td>
<td></td>
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<tr>
<td>Autonomous, software, E/E</td>
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<tr>
<td>Basic chassis/cab</td>
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<tr>
<td>Bus solutions</td>
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**Modularization:** Solution development based on the **TRATON Modular System** – leveraging across the whole Group
More performance steps and more customer value to all brands

Lower product/component/system cost as well as integration cost

Faster time to market, one integration, then “plug & play” for brands

Afford necessary technology investments

One strong Group delivering outstanding customer value
TRATON – Exciting pathway ahead

Responsible Company

Value Creation

TRATON Accelerated!

Strategy Execution & Governance